

**Notice No.:** 02-006

**Date:** June 11, 2002

**Applies to:** All Employers

**Subject:** Summary of 2002 Legislation and Administrative Information

This Notice provides you with a summary of pension legislation passed during the 2002 Legislative session that may impact you or your employees. This information does not offer legal interpretations or detailed instructions for implementation. The legislation is listed in order of potential impact to you and your employees.

The Notice also provides important information on two administrative items; the use of the DRS Enrollment Form and the characterization of whether employer payments to a qualified Voluntary Employee Beneficiary Association (VEBA) plan are reportable to the Department of Retirement Systems (DRS).

### **Legislative Summary**

#### **SB 6376—Plan 3 Corrections**

Past law gave Public Employees' Retirement System (PERS) Plan 2 members who transfer to PERS Plan 3 the opportunity to qualify for a transfer payment if they earned service credit in February 2003. This law makes the following changes:

- Phase 1 employers: Employees' qualifying service credit month is now June 2002.
- Phase 2 employers: Employees' qualifying service credit month is **either** June 2002 or February 2003.

#### **ESB 6380—Survivor Benefits**

Survivor benefits are a feature of a retirement plan that provides continued payments to a beneficiary after the death of the retiree. For the Public Employees' Retirement System (PERS), Law Enforcement Officers' and Fire Fighters' (LEOFF), Teachers' Retirement System (TRS), School Employees' Retirement System (SERS), and the Washington State Patrol Retirement

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System (WSPRS), the legislation provides—in specific cases—a continuous benefit payment to an ex-spouse after the death of the retiree. This legislation also provides retirees from LEOFF Plan 1 and PERS Plan 3 with optional survivor benefits that are currently available in other retirement systems—such as the ability to provide an actuarially reduced benefit to their spouse in the event of a post-retirement marriage. Most provisions of the bill take effect July 1, 2003.

### **SB 6378—LEOFF 2 Part-time Leave of Absence**

This law adds a part-time leave of absence provision to existing leave of absence rules for law enforcement officers who are members of LEOFF Plan 2, with the following provisions:

- The member's employer must authorize the part-time leave.
- The member is prohibited from other employment with the employer during the part-time leave.
- The member may purchase service credit for the portion of time not worked during the part-time leave of absence. Service credit may be purchased for periods of part-time leave up to the existing two year limit by paying the member, employer, and state contributions, plus interest, within five years of returning to full-time employment.

### **SB 6381—PERS 1 Vested Inactive**

Previously, the PERS Plan 1 retirement age differed by five years depending on whether a member is active (age 60) or inactive (age 65) at the time of retirement. This law allows inactive members to retire at age 60 without a reduction in benefits if they:

- Separate on or after January 1, 2002;
- Have at least 20 years of service credit at the time of separation; and
- Are at least age 50 at the time of separation.

### **SB 6375—Military Service Corrections**

This legislation relates to veterans and conforms state law to federal law concerning the definition of the Vietnam Era. To determine if the provisions of this law apply in a particular situation, consider the following: If the person is a PERS Plan 1 or WSPRS member or retiree and can answer yes to all of the following questions, they may be eligible for additional service credit. Otherwise, the correction **does not apply**.

1. Does he/she have at least 25 years of service credit?
2. Was he/she denied military service credit?
3. Did he/she serve in Vietnam between February 28, 1961, and May 7, 1975?

This law also removes prohibitions on military service credit in the PERS Plan 1 and WSPRS for members receiving full military retirement. A PERS Plan 1 or WSPRS member or retiree, with at least 25 years of retirement service credit, who was denied credit for military service because he/she was receiving a full military pension, may now be entitled to receive credit for this service. If retired, the individual's pension will be adjusted accordingly.

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If a member or retiree feels that either of the above situations apply to them, please have the individual contact DRS at 1-800-547-6657, and ask for a determination of service credit.

### **SB 6374—Technical Corrections**

This legislation corrects errors and oversights in statutes, such as incorrect cross-references to other statutes. In addition, this bill adds references to TRS Plan 3 and PERS Plan 3 on benefit division orders in [RCW 41.50.790](#).

### **SHB 2895—Port Employees—membership in more than one plan**

This legislation allows port employees to join a private pension plan without loss of eligibility in a state employees' retirement system.

### **Other Administrative Information**

#### **DRS Enrollment Form**

The Enrollment Form has been a required form that employers complete and mail to DRS in several situations—primarily for new employees who had never established membership in a DRS-covered retirement system. With the current information required from employers via the monthly Member Earnings Transmittal Report, and the development of our internal Document Imaging system, DRS has determined that the Enrollment Form is no longer needed.

Effective immediately, employers should stop sending enrollment forms to DRS. You may continue to use the form for your own purposes but it is no longer required by DRS, with the following exceptions. Any forms received that do not apply to one of the following exceptions will be recycled.

- New employees hired into LEOFF or WSPRS eligible positions, regardless of previous membership status.
- As part of the membership application process for elected and Governor appointed officials.
- As part of the membership application process for city managers or chief administrative officers of counties, port districts, or public utility districts who serve at the pleasure of an appointing authority.

#### **Payments to Voluntary Employee Beneficiary Association (VEBA) Plans**

DRS has received questions about whether or not payments made to a VEBA plan are reportable to DRS. The general principle when making this determination is to focus on the payment type. If the payment was reportable to DRS in the form it was paid or accrued, then the fact that the money is entering a VEBA does not change the characterization of whether or not the payment is reportable to DRS.

For example, sick leave cash outs are reportable to DRS for local government employers, but not for state agencies, higher education, or school districts. If sick leave is converted to a VEBA plan at the time of retirement, the nature of the payment would not change. It would continue to be reportable to DRS for local government employers, and excluded for the others. A performance

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bonus payment that is provided in the form of a payment to a VEBA plan, rather than cash to the employee, may be reportable, but that would be based on the nature of the bonus payment alone. The fact that it is paid to a VEBA plan is immaterial to the determination of whether or not it is reportable to DRS. Please consult Chapter 4 of the *DRS Employer Handbook* for questions about reportable compensation for the various systems and plans.

### **Questions?**

If you have any questions regarding this DRS Notice, please contact Employer Support Services at (360) 664-7200 or 1-800-547-6657, or e-mail us at [DRSEmployer@DRS.wa.gov](mailto:DRSEmployer@DRS.wa.gov).

This Notice can be accessed on the DRS Web site at [www.wa.gov/DRS/employer](http://www.wa.gov/DRS/employer).

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